

## Message Text

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ORIGIN EB-02

INFO OCT-01 NEA-01 ISO-00 ( ISO ) R

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FM SECSTATE WASHDC

TO AMEMBASSY JIDDA

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FOLLOWING REPEAT STATE 300294 ACTION BERN BONN BRUSSELS CANBERRA  
COPENHAGEN LONDON OSLO OTTAWA PARIS ROME STOCKHOLM THE HAGUE  
TOKYO EC BRUSSELS VIENNA WELLINGTON INFO USUN 22 DEC 75

QUOTE

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E.O. 11652: N/A

TAGS: EFIN

SUBJECT: INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT  
(IFAD)

REF: A. STATE 263611; B. STOCKHOLM 6254 (NOTAL)

1. REF A REPORTED ON THE RESULTS OF THE LAST MEETING OF  
INTERESTED GOVERNMENTS CONCERNED WITH THE ESTABLISHMENT  
OF AN INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT  
(IFAD) HELD IN ROME FROM OCTOBER 27 TO NOVEMBER 1.  
ALTHOUGH THERE WAS NO RESOLUTION OF THE OUTSTANDING ISSUES  
AT THE MEETING, CONSIDERABLE PROGRESS WAS MADE IN FORGING  
A COMMON POSITION AMONG OECD COUNTRIES ON THE MAJOR ISSUES.  
IF WE ARE TO RESOLVE THE REMAINING ISSUES AT THE  
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NEXT MEETING OF INTERESTED GOVERNMENTS IN ROME, IT IS

ESSENTIAL THAT THE OECD COUNTRIES FULLY ADHERE TO THE  
CONSENSUS POSITION REACHED DURING THE LAST MEETING.

2. IN ORDER TO AVOID ANY MISUNDERSTANDING, WE THINK IT  
WOULD BE USEFUL FOR ALL OECD PARTICIPANTS TO RECONFIRM  
THEIR AGREEMENT WITH THE POSITIONS WE REACHED IN ROME.  
EMBASSIES SHOULD INFORM HOST GOVERNMENTS OF OUR PERCEPTION  
OF THE OECD CONSENSUS AS OUTLINED BELOW AND SEEK  
CONFIRMATION OF THEIR CONTINUED SUPPORT FOR IT. EMBASSIES  
SHOULD ALSO NOTE THE IMPORTANCE WE ATTACH TO HAVING THE  
JANUARY WORKING GROUP MEETING IN ROME BUILD ON THE WORK  
THE CONTACT GROUP HAS ALREADY ACCOMPLISHED RATHER THAN  
STARTING ANEW ON THE UNRESOLVED ISSUES.

3. AFTER LENGTHY NEGOTIATION, GROUP A (OECD COUNTRIES)  
REACHED AGREEMENT ON A SYSTEM OF WEIGHTED VOTING TO BE  
APPLIED IN BOTH THE GOVERNING COUNCIL AND THE EXECUTIVE  
BOARD. OUR UNDERSTANDING OF THE AGREEMENT ON WEIGHTED  
VOTING IS THAT 17.5 PERCENT OF GROUP A'S VOTES (105 OUT  
OF 600) WOULD BE DISTRIBUTED EQUALLY AMONG ALL MEMBERS  
WITH THE REMAINING VOTES WEIGHTED ACCORDING TO RELATIVE  
CONTRIBUTIONS. A SYSTEM OF WEIGHTED VOTING IN BOTH THE  
GOVERNING COUNCIL AND THE EXECUTIVE BOARD IS OF FUNDA-  
MENTAL IMPORTANCE FOR A NUMBER OF GROUP A COUNTRIES.  
GIVEN THE FACT THAT GROUPS B AND C ARE EACH GUARANTEED  
ONE-THIRD OF THE VOTES, IT SEEMS CLEAR THAT THE WAY THE  
VOTES ARE DISTRIBUTED WITHIN GROUP A HAS NO IMPACT ON THE  
POSITIONS OF GROUP B OR C MEMBERS.

4. GROUP A AGREED THAT THE QUORUM FOR BOTH THE GOVERNING  
COUNCIL AND THE EXECUTIVE BOARD WOULD BE CONSTITUTED BY  
GOVERNORS OR DIRECTORS EXERCISING TWO-THIRDS OF THE TOTAL  
VOTES OF ALL ITS MEMBERS PROVIDED THAT GOVERNORS OR  
DIRECTORS EXERCISING ONE-HALF OF THE TOTAL VOTES OF  
MEMBERS IN EACH OF CATEGORIES A, B AND C ARE PRESENT.

5. WITH REGARD TO VOTING IN THE GOVERNING COUNCIL, GROUP  
A COUNTRIES AGREED TO A SIMPLE MAJORITY RULE EXCEPT WHERE  
OTHERWISE SPECIFIED. GROUP A REACHED AGREEMENT ON A LIST  
OF ADDITIONAL FUNCTIONS OF THE GOVERNING COUNCIL WHERE A  
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LARGER MAJORITY SHOULD BE REQUIRED BEYOND THOSE LISTED IN  
THE DRAFT ARTICLES. GROUP A AGREED THAT A HIGHER  
MAJORITY FOR ALL THE ITEMS ON THIS LIST WAS ESSENTIAL TO  
PROTECT THE KEY INTERESTS OF ANY ONE GROUP OF COUNTRIES  
AGAINST ACTION BY SIMPLE MAJORITY VOTE. IN THE CASE OF  
THE EXECUTIVE BOARD, GROUP A AGREED IN THE CONTACT  
GROUP THAT DECISIONS WOULD BE TAKEN BY A MAJORITY OF  
THREE-FIFTHS OF THE VOTES CAST (AS DEFINED IN THE DRAFT

ARTICLES) PROVIDED THAT EACH MAJORITY IS MORE THAN ONE-HALF OF THE TOTAL NUMBER OF VOTES OF ALL MEMBERS OF THE EXECUTIVE BOARD.

6. ON THE ISSUE OF DIRECT LENDING TO GOVERNMENTS, GROUP A COUNTRIES ARE PREPARED TO AGREE TO A LIMITED EXCEPTION TO THE GENERAL RULE ESTABLISHED BY RESOLUTION XIII OF THE WORLD FOOD CONFERENCE TO THE EFFECT THAT IFAD SHOULD OPERATE SOLELY THROUGH EXISTING INSTITUTIONS. THE AGREED EXCEPTION IS AS FOLLOWS: QUOTE HOWEVER, IN EXCEPTIONAL CIRCUMSTANCES, WHERE APPROPRIATE ARRANGEMENTS WITH AN INTERNATIONAL OR REGIONAL INTERMEDIARY ARE NOT POSSIBLE FOR A SPECIFIC PROJECT OR PROGRAMME ON TERMS AND CONDITIONS WHICH RESPECT THE FUND'S OWN POLICIES, THE EXECUTIVE BOARD MAY APPROVE THE USE OF THE SERVICES OF AN EXPERIENCED INSTITUTION IN THE RECIPIENT COUNTRY. IN THESE EXCEPTIONAL CASES, APPROVAL BY THE EXECUTIVE BOARD SHALL BE BY A THREE-FOURTHS MAJORITY OF TOTAL VOTS. ANY PROJECT OR PROGRAMME APPROVED UNDER THIS SUB-SECTION WILL BE SUBJECT TO MONITORING BY AN INDEPENDENT THIRD PARTY INSTITUTION. UNQUOTE

7. THIS AGREEMENT WORKED OUT IN THE CONTACT GROUP IS THE MAXIMUM CONCESSION WHICH GROUP A IS PREPARED TO MAKE ON THIS ISSUE. GROUP A'S INSISTENCE ON TIGHT LIMITS ON EXCEPTIONS IS BASED ON A DETERMINATION SHARED BY ALL GROUP A MEMBERS TO AVOID CREATING AN INSTITUTION WITH A LARGE STAFF REQUIRED TO PROCESS AND ADMINISTER LOANS AS WELL AS THE NEED TO ASSURE THAT PROJECT REVIEW AND EXECUTION WILL BE HANDLED BY A HIGH QUALITY ORGANIZATION WITH SUBSTANTIAL EXPERIENCE AND A HIGH INTERNATIONAL REPUTATION.

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8. FINALLY, GROUP A NOTED THE IMPORTANCE OF THE SDR 1 BILLION TARGET AND OF EQUIVALENT TOTAL CONTRIBUTIONS FROM GROUPS A AND B. IN THIS CONNECTION YOU MAY NOTE THAT THE LEGISLATION AUTHORIZING A U.S. CONTRIBUTION OF DOLS 200 MILLION TO IFAD CONTAINS THE REQUIREMENT THAT THERE BE EQUITABLE BURDEN SHARING AMONG THE DIFFERENCE CATEGORIES OF CONTRIBUTORS. FURTHERMORE, THE DOLS 200 MILLION CONTRIBUTION FROM THE U.S. IS CONTINGENT UPON TOTAL CONTRIBUTIONS OF AT LEAST DOLS 1 BILLION. KISSINGER UNQUOTE KISSINGER

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